(d) to (f) Do not arise in view of (c) above.

USD : US$
PMT : Per metric Tonne
FOB : Free on Board

Modernisation of IISCO

1605. SHRI JIBON ROY: Will the Minister of STEEL be pleased to state:

(a) whether it is a fact that his Ministry in response to a Global Tender has finalised the modernisation package of IISCO and sent it to Finance Ministry for necessary approval;

(b) if so, the response from the Finance Ministry in this regard;

(c) how long it will take to initiate modernisation of the Plant; and

(d) the present status of IISCO modernisation?

THE MINISTER OF STEEL AND MINISTER OF MINES (SHRI BIRENDRA PRASAD BAISHYA): (a) to (d) Indian Iron & Steel Co. Ltd. (IISCO) was referred to BIFR in June, 1994. In August, 1996, SAIL has invited offers for participation in the revival/ modernisation of IISCO through a joint venture arrangement with SAIL retaining majority share-holding 51% in the joint venture company. SAIL has received offers from two parties viz. M/s. Tyazhpromexport (TPE) of Russia and M/s. Mitsui of Japan. M/s. Mitsui have since indicated their unwillingness for equity participation which is an essential requirement for selection of Joint Venture Partner. Consequently at present there is only one offer available for revival of IISCO. M/s. TPE have since informed SAIL that they require extension of three months time for submission on their Revival Plan. Consequently, SAIL have sought extension of time for a further period of 4 months from the BIFR.

As IISCO has been referred to the BIFR, any scheme to be taken up for modernisation will have to be in accordance with the order of the BIFR in this regard.

Suggestions of Nitish Sengupta Committee

1606. SHRI V. HANUMANTHA RAO:

Will the Minister of STEEL be pleased to state:

(a) whether the Nitish Sengupta Committee made any suggestion to increase steel exports;

(b) if so, details thereof;

(c) whether the Visakhapatnam Steel Plant accepted any of these recommendations to increase steel exports; and

(d) if so, details of such steps taken by Visakhapatnam Steel Plant?

THE MINISTER OF STEEL & MINISTER OF MINES (SHRI BIRENDRA PRASAD BAISHYA): (a) to (d): Report of the Expert Group headed by Shri Nitish Sengupta on export of Iron and Steel has been received recently. Salient findings of the expert group are given in the annexure. The Government have yet to take final view on the recommenations of the Expert Group. (given below as a statment).

Statement

Salient Findings of The Expert Group on Export of Iron and Steel

India's steel efforts started in a significant way in 1992-93 Exports further peaked in 1993-94. In the last few years, India has also emerged as an exporter of pig iron and DRI.

After the Liberalisation in economic policy, in the areas of investment, distribution, pricing and trade, the steel sector has not only shown desired results through increased production, capacity utilisation, new investment but also in significant increase in export.

In spite of a general forecast of a not so favourable enlargement of the global

market, there will still be tremendous new opportunities for export for which the Indian steel Industry is well placed. The ongoing and restructuring of the global steel Industry on account of a variety of circumstances, including the steep rise of labour costs, is going to provide substantial scope for export of steel from countries like India which are blessed with raw materials and labour. But, to take full advantage of these emerging opportunities, substantial efforts will be required to upgrade the existing transports system up to modern standards and to minimise and eliminate various other infrastructural constraints.

The new projects, equipped with modern and low cost technology, are going to play a major role in exporting steel from India. Encouragement should be given to such projects which show significant export potential being equipped with the advantages of international level economics of scale with and state of the are technology.

The Ministry of Steel has projected that India has a potential to export 6 million tonnes of finished steel by 2001-02 and 9 million tonnes by 2006-07. Although, the Indian steel producers can take even a larger share in the world market where nearly 225 million tonnes of steel are traded, considering-various cost/factors, domestic demand, Individual product capacity, a target of export of 6 million tonnes of steel by 2001-02 looks achievable. But, the Industry will have to plan meculously and to work in a concerted manner to reach these targets.

Indian steel producers should pay attention to rapidly growing South East Asian, East Asian and Chinese markets. There will also be opportunities in Japan, USA, Western Europe and Eastern Europe. Government should make efforts to facilitate export of steel to Pakistan.

The government should simplify the combrous and time consumming export procedures related to steel as it creates additional obstacles in the way of export of a heavy item like steel. The State Government should also be especially requested to support the fast implementation of export oriented projects. Export oriental steel projects should be encouraged on the coast wherever port facilities are avaliable.

The Government would need to assist in developing the infrastructure to facilitate export of iron and steel. Development of ports, in particular to facilitate, handling of iron and steel should be taken up on a priority basis. Also, ports which handle large volume of export and import related to steel industry, viz., Visakhapatnam, Haldia, Paradip, Mangalore, Madras and Bombay, may be provided special status for development in this context, the Group emphasises the importance of developing several minor ports with participation of the private sector in general or the steel industry itself.

The Indian Railways should charge only for the actual distance covered in case of movement of both raw materials and finished products of steel plants, instead of charging for a minimum distance of 100 kilometres. This may be applicable to all the plants which are located near the sources of raw materials as well as those near the ports to cover their raw materials movements and/or movement of finished products to the ports.

An expert body consisting of major steel exporters, port authorities, Ministry of Surface Transport and Ministry of Steel may carry out a details study on the specific problems associated with the movement of iron and steel in ports, measures to be taken to improve productivities of various equipment and labour, likely growth of demand for different facilities and investments required for modernisation and expansion of capacity.

Financial institutions, commercial banks and the Exim Bank should give high priority to activities related to export

of iron and steel in a concerted and co-ordinated manner considering it as a priority item in the national agenda.

In the long term, a steel exporters association as a non-government body may be created to undertake promotional activities and sort out matters of common interest. The organisation, funded by its members may be supported for specific export promotion activities by the Government using the resources available with Steel Development Fund. In the short term, The Economic Research Unit (ERU) of the Joint Plant Committee may be asked to undertake the required activities for export promotion, a separate Wing created for the purpose within ERU may initiate research, coordination and planning on the relevant subject. The offices of the ERU and JPC should also be reoriented to strengthen research related to export of iron and steel from India and international trade.

Government may consider according to the steel industry all the priorities and facilities which have been provided to the infrastructure industries.

To make export efforts of the Indian steel industry meaningful and permanent, it is necessary to make the industry cost competitive not only export production but also in general. That is, the industry should be placed in a favourable fiscal policy framework which will make it intrinsically strong. The steel industry may be allowed to import basic raw materials at lower rates of duty.

There is a strong need for identifying countries which are potentially significant importers of Indian steel. Also, there should be continuing research on the types of finished steel and steel products they are likely to import on sizeable scales on a long term basis. For example, there is, at present a large demand for HR coils in the international market. Our major steel producers will have to re-orient their product mix and production programmes on the basis of these findings.

A focussed campaign should be carried out by the steel industry led by the Ministry of Steel, to project the immense potential for Indian steel in the context of the changing global scenario in favour of India to the international financial agencies and institutions for investment.

There should be considerable thrust to those projects which aim at manufacturing high value products. Those projects which show significant export potential can be given some level of priority in allocation mines, having high quality iron ore in order to produce high value items.

Government should consider removing or appropriately relaxing the ceiling currently imposed on External Commercial Borrowings (ECBs) by the export oriented units.

In order to make possible faster implementation of export oriented projects, government should consider permitting import of running plants which are in sound condition.

Export oriented units, which are expected to earn substantial foreign exchange, say, over US $ 0.5 billion should be treated as fast track projects for the purposes of all necessary clearances from Central Government, State Government and other concerned agencies.

The present provisions of 100% Export Oriented Units (EOU) and Export Promotion Capital Goods (EPCG) schemes may be suitable modified to take into consideration the specific problems related to high investment requirement, long gestation lags in construction and the high volatile international markets in the case of iron and steel. The government may look into the possibility of raising the maximum Domestic Tariff Area (DTA) sales level from the present 25% to about 40% to begin with in case of large capital intensive integrated steel projects. Such concession may be even allowed for a temporary period during the initial years of stabilisation of the

plant.

The government may pay highest attention to various procedural problems faced by the Indian exporters of steel and take immediate steps for necessary redressal. Efforts should be made to simplify procedure and also make those adequately transparent. The pass book system may be extended to all the major ports and a mechanism may be developed to quickly sort out disputes in regards to international prices of inputs. The input output norms for advanced licenses may be changed wherever necessary.

The commercial banks may provide export credit particularly for iron and steel at an interest rate of 13% for credit up to 180 days.

The government should constantly monitor the quality of exports by means of checking out for rejects and registered complaints of the importers. This would help the country's industry to establish a brand image for Indian iron and steel in the global market. In its own interest, the industry must impose self control.

The government should encourage and also support specific R&D efforts for product development to meet international market demands.

Problems being Faced by Visakhapatnam Steel Plant

1607. SHRI V. HANUMANTHA RAO: Will the Minister of STEEL be pleased to state:

(a) whether there are any problems being faced by Visakhapatnam Steel Plant in increasing its production capacity;

(b) whether there is any proposal for capacity enhancement of Visakhapatnam Steel Plant in the Ninth Plan;

(c) if so, details of such plans; and

(d) the funding available for implementing these plans?

THE MINISTER OF STEEL & MINISTER OF MINES (SHRI BIRENDRA PRASAD BAISHYA): (a) Visakhapatnam Steel Plant was commissioned in August, 1992 and is steadily moving towards rated capacity levels. 1993-94 was the first year of full integrated operation.

The rated capacity of VSP is given below:

Hot Metal 3.4 million tonnes
Liquid Steel 3.0 million tonnes
Saleable Steel 2.656 million tonnes

The production of VSP from 1993-94 onwards is given below:

(In '000 tonnes)

Year	HOT METAL		LIQUID STEEL		SALEABLE STEEL	
	Production	% Capacity	Production	% Capacity	Production	% Capacity
1993-94	2369	70.0%	1355	45%	1184	45%
1994-95	2836	83.4%	1940	65%	1560	59%
1995-96	3213	94.5%	2381	79.4%	2136	80.4%
1996-97 (Apr.—Jan. '97)	2673	94%	1976	79%	1695	77%